was based on "use and experience — usually 55,000 miles."

Two fleets in the group are planning to change their replacement policy in 1985. One fleet is switching from 48 months/65,000 miles to 36 months/55,000 miles. The other is changing from 30 months/60,000 miles to 27 months/55,000 miles.

"When determining the price of cars sold to employees, five fleets in the Miscellaneous Group base the price on the car's book value to the corporation."

Seven fleets in the group recondition their cars before placing them on the used car market. Among the comments on reconditioning were: "mainly cosmetic, paint & body," "safety and body work," "cosmetic and maintenance," and "car must be road safe." The other fleets in the group sell their cars in an "as is" condition.

●

Public Utility Segment

The Public Utility Group consists of 15 fleets operating 20,126 passenger cars (19,801 company-owned, 325 leased). During 1984 these fleets sold 3,732 cars, 18.5 percent of their stock at the start of the year. Fifteen percent of the cars sold were 1980 or earlier models; 84 percent were 1981 models, and one percent were 1982 model year cars. Less than one-half of one percent of the cars sold were 1983 or 1984 model year cars.

Three percent of the cars sold in 1984 were bought by employees. Another three percent were sold to used car dealers; one percent were sold to wholesalers, while 93 percent were sold at auction. Public Utilities use both public, private, and wholesale auctions to market their used cars.

In all Public Utility fleets the fleet manager is responsible for selling used cars. In one fleet some units are sold through a field office; in another a division office handles some used car sales.

Utility Fleets Kept Longest

Average service life of public utility fleet cars is 67.6 months. They are driven an average of 74,866 miles before replacement.

Six fleets in the Public Utility group sell used cars to their employees. In three fleets it is by sealed bid; in the others the price is based on a combination of NADA and corporate average price.

Replacement policies among Public Utility fleets vary from one fleet that said it has "no policy" to another that said it was "condition plus cost to run another year." In between, there are these specific replacement policies: 60 months/100,000 miles (two fleets); 50 months/65,000 miles; 36 months/60,000 miles; 84 months/75,000 miles; 72 months/75,000 miles; 48 months/50,000 miles; 120 months/80,000 miles; 72 months/80,000 miles; 48 months/72,000 miles; 48 months/65,000 miles, and 108 months.

(Continued on page 18)

Survey Summary Results

			SELLING METHODS				
1982	1983	1984	Employee	Wholesale	Used Car	Auto Auction	Trade Ins.
3	1,245	359	1,774	2,195	745	974	—
2,089	1,310	248	1,961	702	538	2,385	1,428
1,927	414	39	972	1,109	395	566	16
2,883	818	55	3,006	1,130	40	2,280	35
1,147	163	834	824	887	26	708	825
466	99	12	334	532	301	313	46
46	14	10	47	22	—	141	—
1,741	420	45	698	861	550	822	30
10,302	4,483	1,602	9,616	7,438	2,595	8,189	2,380
53	12	—	116	41	108	3,468	—
146	22	5	75	—	—	3,144	—
524	222	5	583	276	42	203	7

Used Car Marketing Survey

(Continued from page 17)

Three fleets are planning to change their replacement cycles in 1985. One fleet is switching from 72 months/75,000 miles to 24 months/30,000 miles. One is lengthening its service life from 84 months/75,000 miles to 96 months/80,000 miles in 1985, and then to 108 months/90,000 miles in 1986. One fleet reported its goal was to "get all vehicles down to six years or 100,000 miles."

Seven fleets in the group recondition their cars before putting them on the used car market. Among the comments on reconditioning were: "not at our expense, auction does some if they believe they will more than recover the cost;" "any mechanical work required to keep vehicle safe, complete painting if required, and body work," "repaint from company color," "minor body touch up on good cars, no work done on rough or high mileage units," "minor engine repairs," "safety check."

●

Government Segment

The Government Group consists of 27 fleets operating 18,639 passenger cars (18,529 agency-owned, 110 leased). In 1984 these agencies sold 3,189 cars, 17 percent of their units at the start of the year.

"In 1984, two percent of the cars in the Government segment were sold to employees; all of the rest were sold at auction..."

Of the cars sold in 1984, 65 percent were 1980 or older cars; 30 percent were 1981 model year cars; four percent were 1982 model year cars, and one percent were 1983 model year cars.

In 1984 two percent of the cars were sold to employees; all of the rest were sold at auction, in most cases run by the agency or by a general services administration agency. A few units were sold through wholesale auctions.

The major responsibility for marketing used cars in the Government Group rests with the fleet administration. However, general service agencies and purchasing agents often play a role in used car marketing, and one fleet employed an outside management service firm.

Average service life of government cars was 57.1 months with 81,137 miles driven before replacement.

Only two of the fleets participating in the survey sell any cars to employees. In one fleet the price is the NADA trade-in value; in the other the price is "Blue Book wholesale."

As might be expected, replacement policies are varied. Six government fleets use a base of 48 months in service with these differing mileage requirements — 35,000, 50,000, 60,000, 70,000, 75,000, and 170,000. Five fleets use 60 months as a base along with these mileage requirements: 70,000 miles (2 fleets), 60,000, 75,000, 65,000, 150,000. Other combination months/mileage policies are 40 months/60,000 miles; 72 months/72,000 miles, and 84 months/50,000.

Fleets with just a mileage requirement for replacement mention these figures: 50,000, 70,000, 77,000, 85,000, 90,000, and 100,000 miles. In two government fleets the replacement policies are "until the vehicle is no longer serviceable," and "cost effectiveness of repairs."

Four fleets in the Government Group are planning to change their replacement policy in 1985. The fleet with the current policy of use until no longer serviceable is changing to a 72 month/60,000 mile schedule. One fleet with a 48 month/75,000 mile policy will shift to 42 months/70,000 miles in 1985, and to 36 months/65,000 miles in 1986. Going the other way are two fleets; one keeping its life at 84 months but increasing the mileage limits from 50,000 to 55,000 in 1985 and then to 60,000 miles in 1986. The other fleet is increasing its schedule from 60 months/65,000 miles to 96 months/75,000 miles.

Eight fleets in the Government Group say they do some reconditioning before placing their cars on the used car market. The reconditioning work consists of: "repair body damage to $250, clean and repair interior;" "minor body damage repaired;" "paint as needed;" "all safety items repaired;" "state inspection and all safety checks made;" "some painting and detail work;" "clean-up reassignment, repair accident damage, paint" and "general clean up and minor repairs."

●

Canadian Segment

The Canadian segment of the Used Car Marketing survey consists of 31 fleets operating 7,486

(Continued on page 20)

Summary of U.S. Commercial Fleets

Total Cars in Survey	
U.S. Commercial Fleets	101,030
Representative Leased Fleets	47,739
Sample of Owned Fleets	53,291
Average Months in Service	
All U.S. Commercial Fleets	30.2
Representative Leased Fleets	29.4
Sample of Owned Fleets	36.5
Average Miles When Sold	
All U.S. Commercial Fleets	57,732
Representative Leased Fleets	56,471
Sample of Owned Fleets	62,221

Used Car Marketing Survey

(Continued from page 18)

passenger cars (3,626 company-owned, 3,860 leased). These fleets sold 1,812 cars in 1984, 24 percent of their total stock at the beginning of the year.

Of the cars sold in 1984, 13 percent were 1980 or older models; 45 percent were 1981 models; 29 percent were 1982 models; 12 percent were 1983 models, and less than one-half of one percent were one year old or 1984 model year cars.

Among Canadian leased fleets, 52 percent of the cars were sold to employees; 25 percent were sold to wholesalers; four percent to used car dealers; 18 percent consigned to auctions, and one percent sold or traded to new car dealers.

Most Company Cars Traded to Dealers

Among company-owned fleets, 26 percent of the cars were sold to employees; 11 percent were sold to wholesalers; five percent to used car dealers; 12 percent to auctions, and 46 percent traded to new car dealers.

In leased fleets responsibility for marketing used cars was divided between the fleet administrators and lessors. In company-owned fleets the major responsibility for used cars rests with the fleet manager, but two fleets use a field office, and one fleet has the operator sell some of its used cars.

"Of the company-owned Canadian fleets, the major responsibility for used cars rests with the fleet manager, but two fleets used a field office, and one fleet has the operator sell some of its used cars."

Average service life in leased fleets was 30.8 months and 90,685 kilometers (56,225 miles). In company-owned fleets, service life averaged 36.6 months and 104,330 kilometers (64,685 miles).

When setting the price for sale of a company car to an employee, the major pricing guide is "Black Book," mentioned by 15 fleets. Six fleets say they use the "book value" in setting a price, while base the price of the used car on its "wholesale value." In the majority of fleets, both leased and owned, the price to an employee is set by the fleet administrator.

Replacement Cycles Vary Widely

Replacement cycles for Canadian fleets vary widely. Four fleets set it at 36 months/100,000 km; two fleets each use 36 months/90,000 km and 36 months/80,000 km. Two other fleets express their cycle in months and miles — 36 months/50,000 miles and 36 months/55,000 miles. Two fleets have a flat 24-month replacement policy.

Average Months and Miles In Service

	Average Months	Average Miles
Drugs & Cosmetics (17)	27.1	58,117
Insurance (29)	30.4	57,560
Mfg.-Industrial (21)	31.1	62,880
Mfg.-Consumer (21)	32.6	59,471
Food & Beverage (14)	29.8	59,791
Chemical & Petroleum (18)	34.7	66,111
Banking & Financial	34.2	52,000
Other (16)	35.0	47,333
Public Utility (15)	67.6	74,866
Government (27)	57.1	81,137
Canada (31)	32.7	95,087 Km

Among the replacement policies mentioned by one fleet each are: 24 months/60,000 miles; 36 months/75,000 km; 36 to 42 months/85,000 to 100,000 km; 36 months/150,000 km; 36 months/96,000 km; 36 months/60,000 miles; 90,000 km; 36 to 48 months; 95,000 km; 48 months/80,000 miles; 97,000 km; 48 months/150,000 km, and, finally, in one fleet, "drive them 'til they drop."

(Note: A kilometer is .621 of a mile. 100,000 kilometers equal 62,100 miles. Responses are quoted directly from the Survey, therefore, either kilometers or miles are given.)

Ten Canadian fleets are planning to change their replacement cycle in 1985. Six fleets will shorten the cycle; four will lengthen it. Those shortening the cycle will make these changes: 36 months/150,000 km to 24 months/90,000 km; 100,000 km to 85,000 km; 36 months/100,000 km to 36 months/80,000 km; 48 months/150,000 km to 36 months/125,000 km; 35 months/130,000 km to 28 months/125,000 km, and 40 to 36 months.

The fleets lengthening their service life or mileage will make these changes: 36 months/90,000 km to 48 months/135,000 km; 36 months/80,000 km to 36 months/100,000 km; 36 months/100,000 km to 44 months/125,000 km, and 36 to 60 months.

"Ten Canadian fleets are planning to change their replacement cycle in 1985. Six fleets will shorten the cycle; four will lengthen it."

Seven Canadian fleets do some reconditioning before placing the unit on the used car market. The work is described in these terms: "complete service prior to sale if it will affect price;" "repairs recommended by safety check;" "safety, paint job over fleet colors;" "auto auction detail and safety certificate;" "whatever is necessary to make them mechanically fit;" "engine, body," and "clean up, service inspection, glass."

One fleet manager made this final comment on reconditioning: "Encourage the driver to look after the car, in the end, he's the one who buys it." ■

HLDI Reports:

U.S. Models Have Lowest Collision Repair Costs

The Highway Loss Data Institute (HLDI) is a non-profit, public service organization that gathers, processes, and publishes insurance data concerned with human and economic losses associated with motor vehicle use. The Institute's current report describes the collision coverage results of 1982 through 1984 model year passenger vehicles, vans, pickups, and utility vehicles.

The data used were supplied by thirteen insurers: Aetna, Allstate, Fireman's Fund, GEICO, Kemper, Liberty Mutual, Nationwide, Prudential, Safeco, Sentry, State Farm, Travelers, and USAA.

The principal findings of the January 1985 report by the Highway Loss Data Institute are:

- Among the high volume 1984 vehicles, the four-door Chevrolet Caprice had the best collision coverage results and the Pontiac Firebird had the worst. Among the low-volume vehicles, the Porsche 944 Coupe and Nissan 300 ZX had the worst results and the Plymouth Voyager passenger van* the best.
- Collision coverage results for 1984 models continue to show significant variations among vehicles grouped by size and body style.
- Ten of the eleven 1984 model year vehicles with the best collision coverage results were domestic models.
- Six of the ten 1984 models with the worst collision coverage results were imported.
- For 1984 models, claim frequencies, average loss payments per claim, and average loss payments per insured vehicle year all decreased with increasing vehicle size and style groups.
- Among the vans, pickups, and utility vehicles, small utility vehicles and small pickups had the highest average loss payments per insured vehicle year and vans had the lowest.
- Ford vans had particularly good collision coverage loss results, and small pickup trucks, had particularly bad results.

TABLE 1
Relative Average Loss Payments Per Insured Vehicle Year For 1984 Model Year Passenger Vehicles With the Best and Worst Collision Coverage Results*

	Best			Worst		
HIGH VOLUME (At least 1% of total exposure)	Chevrolet Caprice	4 Dr.	57	Pontiac Firebird	Sp.	174
	Oldsmobile Delta 88	4 Dr.	60	Chevrolet Camaro	Sp.	160
	Buick LeSabre	4 Dr.	71	Toyota Celica	2 Dr.	126
	Chevrolet Celebrity	4 Dr.	75	Ford Thunderbird	Sp.	118
	Toyota Camry	4 Dr.	75	Pontiac Fiero	Sp.	117
	Oldsmobile Ciera	4 Dr.	75			
LOW VOLUME (Less than 1% of total exposure)	Plymouth Voyager	P.V.	46	Porsche 944 Coupe	Sp.	239
	Oldsmobile Firenza	S.W.	48	Nissan 300ZX	Sp.	236
	Chevrolet Caprice	2 Dr.	50	BMW 318i	Sp.	212
	Dodge Caravan	P.V.	51	Volkswagen Scirocco	2 Dr.	202
	Mercury Grand Marquis	4 Dr.	57	Nissan 300ZX 2+2	Sp.	199

P.V. = Passenger Van; S.W. = Station Wagon; Sp. = Sports or Specialty
*100 represents the average for all 1984 passenger vehicles ($153).

Passenger Vehicles

The results for the 1984 model passenger vehicles were based on over one million insured vehicle years of exposure, those for the 1983 models on over three million insured vehicle years, and those for the 1982 models on over five million insured vehicle years. Generally, the greater the exposure associated with a result, the more confidence can be placed in it.

1984 Models During Their First Year

Table 1 summarizes the 1984 model year passenger vehicles with the best and worst collision coverage results during their first year of availability. The results are shown separately for high-volume vehicles (those with at least one percent of the total exposure for the model year) and low-volume vehicles (those with less than one percent of the exposure).

*A number of manufacturers introduced small vans in 1984 that are predominantly aimed at the passenger vehicle market.

The cars listed were taken from the 182 individual 1984 vehicle series that had more than 1,000 insured vehicle years of exposure. Twenty-five of those series were high-volume vehicles, each accounting for at least one percent of the total 1984 model year exposure.

Ten of the eleven vehicles with the best results were manufactured in the United States.

Among the high-volume vehicles, the four-door Chevrolet Caprice (57) had the best collision coverage results. Among the low-volume vehicles, the Pontiac Firebird (174) had the worst results.

1983 Models During Their First Two Years

The 1983 model year passenger cars with the best and worst collision coverage results during their first two years of availability were taken from the 217 individual 1983 vehicle series that had more than 1,000 insured vehicle years of exposure.

Among the high-volume vehicles, the four-door Buick LeSabre had the lowest average loss payment per insured vehicle year. All five of the high-volume vehicles with the best results were domestic models. All of the low-volume vehicles with the lowest average loss payments per insured vehicle year were also domestic models.

Most of the 1983 models with the worst collision coverage results were imported.

1982 Models During Their First Three Years

The 1982 model year passenger cars with the best and worst collision coverage results during their first three years of availability were taken from 221 individual 1982 vehicle series that had more than 1,000 insured vehicle years of exposure.

As with the 1983 models, all of the vehicles with the best experience were domestically produced and most of those with the worst results were imported models. ■

Highway Loss And Data Institute's

Definitions

Average Loss Payment per Claim — The total of all loss payments made for the claims for a group of vehicles, divided by the number of claims paid; expressed as dollars per claim.

Average Loss Payment per Insured Vehicle Year — For a group of vehicles, the product of Claim Frequency and Average Loss Payment per Claim, divided by 100; expressed as dollars per insured vehicle year. It should be noted that this definition differs from the commonly used insurance term, pure premium, but yields similar results.

Claim Frequency — The number of claims for a group of vehicles, divided by the exposure for that group; expressed as claims per one hundred insured vehicle years.

Collision Coverage — As defined in insurance contracts, the coverage under which people insure their own vehicle against loss caused by collision.

Deductible Amount — That portion of the collision damage cost borne by the policyholder. For computing results, deductible amounts are split into two groups; less than $150 (mainly $50 and $100 deductibles) and greater than or equal to $150 (mainly $200 and $250 deductibles).

Exposure — The time interval an individual vehicle is insured. Exposure for a group of vehicles is expressed in units of insured vehicle years.

Loss Payment — That portion of the collision damage cost borne by the insurer; in general, the total collision damage cost minus the deductible amount.

Operator Age Group — The factor which distinguishes those vehicles whose rated driver is youthful from those vehicles whose rated driver is not youthful (see Youthful Operator).

Rated Driver — the driver who, for insurance purposes, is considered to represent the greatest loss potential for the insured vehicle.

Vehicle Class — There are four vehicle classes, defined as follows:

1. Passenger Vehicles — There are four major body style groupings of passenger vehicles — regular two-door models, regular four-door models, station wagons and passenger vans, and sports and specialty models. Sports and specialty models include all two-seater cars, all convertibles, all mid-size and large cars that have two-door models only, and all luxury cars. Each body style group is further divided into size class subgroups based on wheelbase (rounded to nearest inch) defined as follows:

Small — Vehicles with wheelbases less than or equal to 99 inches.

Midsize — Vehicles with wheelbases greater than 99 inches and less than or equal to 109 inches.

(Continued on page 50)

Drunk Driving Penalties

(Continued from page 48)

Indiana — broadens habitual offender law; license suspension within 30 days of DWI conviction.

Iowa — increased penalties for adults and minors.

Kentucky — mandatory jail term for injuring others in DWI accident.

Louisiana — broadens vehicular homicide law to include driving under the influence of drugs.

Maryland — BAC results admissible in court without presence of person who administered test.

Minnesota — admissibility of breathalyzer results in court; stiffer penalties for refusal of BAC test admissible in court.

Nebraska — drinking age raised to 21.

New Jersey — added $100 fine (revenues go to Drunk Driving Enforcement Fund).

New Mexico — per se: .10% BAC for 18 and over; .05 for under 18.

New York — returned DWI fine money to counties for anti-drunk driving programs.

Oklahoma — refusal of BAC test admissible in court; stiffer penalties; impoundment of vehicle if person found driving on a DWI-revoked license.

Rhode Island — drinking age raised to 21.

South Carolina — open container law; drinking age for beer, wine revised from 18 to 19, 5/29/84, and to 20, 1/1/85.

South Dakota — drinking age for low-point beer raised to 19.

Tennessee — raises drinking age to 21.

Utah — clarification of DWI law regarding impoundment of motor vehicle.

Vermont — pre-trial suspension established; added penalties.

Washington — increased funding for alcohol and drug abuse education; exemption for taxis from open container law; delay of effective date for administrative revocation of driver's license to 1/1/86.

Wisconsin — drinking age raised to 19; prohibition against driving under the influence of any drug; police allowed to pursue DWI offender into other jurisdiction and to request BAC test after arrest but before citation.

Wyoming — impoundment of vehicle upon DWI arrest.

●

Note: Michigan enacted a law, effective 5/29/84 banning checklanes to curb drunk drivers. DWI bills are pending in California, D.C., Massachusetts, New York, Pennsylvania and Ohio. ■

Highway Loss and Data Institute's Definitions

(Continued from page 45)

Large — Vehicles with wheelbases greater than 109 inches.

2. Vans — Fully enclosed vehicles with either no hood or a very short hood, in which the engine is placed at least 50 percent behind the windshield. The driver's position is usually well forward, nearly beside the engine, usually within the forward 25% of the wheelbase. These vehicles are designed for cargo transport and are equipped with a right side cargo access door and rear doors. The cargo area is not separated from the passenger area — both are enclosed under the same roof. Some passenger vans are equipped with additional seats in the cargo area and usually have additional side windows also.

3. Pickups — Cargo-carrying vehicles, usually on a truck chassis, with an enclosed cab and a separate open cargo area. The open cargo area generally is a box with raised sides with an opening tailgate. There are also a small number of auto pickups which are similar to regular pickups except that they are built on a passenger car chassis. Pickups are further divided into two subgroups based on curb width — small pickups (less than 3,000 pounds) and standard pickups (3,000 pounds or more).

4. Utility Vehicles — Vehicles built on a heavy-duty chassis capable of off-road use. They are of conventional construction with the driver behind the engine. The cargo and passenger areas are integral with the driver area. Many of these vehicles are equipped with soft or removable tops. Frequently, these vehicles are equipped with four-wheel drive. Utility vehicles are further divided into three subgroups based on wheelbase — small utility vehicles (less than 100 inches), intermediate utility vehicles (from 100 to 120 inches), and large utility vehicles (greater than 120 inches).

Vehicle Identification Number (VIN) — A code, variously comprising both numbers and letters; normally, 8 to 17 characters in length, assigned to each vehicle by its manufacturer. The VIN uniquely identifies the vehicle within at least a ten-year time span and, in recent model year vehicles, contains coding which identifies the make, series, model year, and other characteristics of each vehicle.

Vehicle Series — A name denoting a family of vehicles, within a make, with the same wheelbase and a degree of commonality in construction such as body, chassis, etc.

Youthful Operator — For the purpose of this report, all males (married or single) under 25 years of age and all unmarried females under 25 years of age. ■

NAFA
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April 1985

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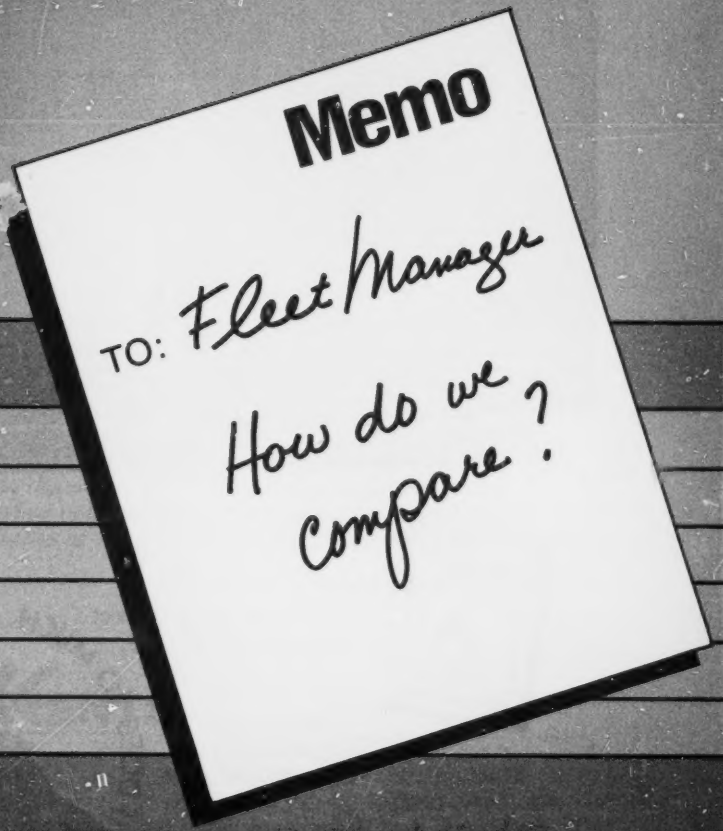
NAFA'S 1984 OPERATING EXPENSE SURVEY



Operating Expenses

(Cents cost per car per mile)

Average Miles Per Month	1,833
Fuel	.0560
Oil	.0012
Tires/Tire Repair	.0040
Repair/Maintenance	.0151
Total Operating Expenses	.0763

MEET NAFA'S ASSOCIATE EXECUTIVE DIRECTOR

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1984 NAFA Survey Results:

Fleet Operating Decline for 3rd

NAFA Exclusive

Fleet operating expenses declined for the third consecutive year in 1984, according to the annual operating expense survey conducted by the National Association of Fleet Administrators, Inc.

A total of 84 fleets, operating 79,669 passenger cars, submitted data for the annual survey.

Operating expenses declined approximately three tenths of a cent per mile in the "composite" fleet group (those fleets that do not break out expenses by the size of car) from .0793 cents per mile in 1983 to .0763 cents per mile in 1984. The 1984 operating expense is a full penny per mile less than in 1982.

Average fuel economy or miles per gallon for the fleets was computed using a price of $1.26 a gallon for fuel. This is an average for the year combining both full service and self-service pump prices.

The average miles per gallon figure for compacts was 23.8; for mid-size cars, 20.5, and for large cars, 18.7 miles per gallon.

NAFA Car Size Categories

Sub-Compact Cars: Wheelbase of less than 99 inches and a curb weight of under 2,199 pounds.

Compact Cars: Wheelbase between 100 and 104 inches and a curb weight of between 2,200 and 2,599 pounds.

Mid-Size Cars: Wheelbase between 105 and 108 inches and a curb weight of between 2,600 and 3,199 pounds.

Large Cars: Wheelbase of more than 108 inches and a curb weight of more than 3,200 pounds.

The results of the survey are based on NAFA's Recommended Classification of Automobile Expenses. Under this accounting system, fleet costs are divided into three major categories:

Operating Expenses: These costs consist of all expenses directly related to running a vehicle — fuel, oil, tires and tire repair, and normal maintenance and repair. These expenses are computed in pennies per mile per car.

Incidental Expenses: These costs include licenses and taxes, accident repairs less recoveries, washing, parking and tolls, and miscellaneous expenses. These costs are computed on a dollars per car per month basis.

Standing Expenses: The third category consists of investment costs, either interest paid on purchases or leasing company service charges, depreciation reserve, insurance, and selling costs. Deducted from these expenses are depreciation adjustments (if any) after a vehicle is sold. The standing expenses are also expressed in dollars per car per month.

To arrive at the Net Expense figure, personal use chargebacks and any optional equipment purchased by the company car operator are deducted from the combined Incidental and Standing Expenses.

Composite Fleet

The composite fleet consists of nearly 40,000 passenger cars. The fleets in this group do not break out expenses by size of car; they provide only totals for the entire fleet.

The cars in these fleets were kept in service an average of 31.5 months and driven 57,740 miles. Two percent of the cars in the composite fleet are sub-compacts; 69 percent are compacts; 25 percent are mid-size, and four percent large cars.

Seventy-eight percent of the cars in the composite fleet have four-cylinder engines; 19 percent are equipped with six-cylinder engines, while three percent have eight-cylinder engines.

Costs Year

These are well equipped cars. Ninety-eight percent are air conditioned; 97 percent have automatic transmission, 99 percent have power steering, and 100 percent are equipped with power brakes.

Based on a fuel cost of $1.26 per gallon, these cars used 81 gallons of gas a month to drive 1,833 miles, an average miles per gallon figure of 22.5.

Total operating expenses for the group amounted to .0763, about one-third of a cent per mile less than in 1983 and a full cent per mile lower than in 1982.

Incidental expenses amounted to $35.32 per car per month. Standing expenses were $250.01 per car per month. Net expenses (incidental expenses plus standing expenses minus a personal use credit or chargeback of $45.42) amounted to $239.91.

Translating all expenses into dollars per car per month, the total expense amounts to $379.76, or 20.7 cents a mile.

Compact Cars

The compact car segment of the 1984 operating expense survey reported operating expenses of .0708 cents per mile. These cars were driven an average of 1,747 miles per month. They were kept in service an average of 33.2 months.

Fuel expenses for compact cars was .0528 cents per mile. Based on a fuel price of $1.26 per gallon, these cars averaged 23.8 miles per gallon.

Every car in the group has a four-cylinder engine, and all of them were equipped with air conditioning, automatic transmission, power steering, and power brakes.

Mid-Size Cars

The mid-size cars, in the 1984 survey had operating expenses of .0837 cents per mile, with fuel expenses of .0614 cents per mile. They cost one cent a mile more to operate than a compact car.

Thirty-seven percent of the cars in the mid-size

(Continued on page 12)

Operating Expense Comparisons Composite Fleets 1982 - 1984

	1982	1983	1984
Average Miles per Month	1,880	1,821	1,833
OPERATING EXPENSES			
(cents cost per car per mile)			
Fuel	.0643	.0579	.0560
Oil	.0011	.0016	.0012
Tires & Tire Repair	.0057	.0041	.0040
Repair & Maintenance	.0150	.0157	.0151
Total Operating Expenses	.0861	.0793	.0763
INCIDENTAL EXPENSES			
(dollar cost per car per month)			
License & Taxes	$ 8.63	$ 9.95	$11.62
Accident Repairs — Recoveries	7.39	8.85	8.74
Washing	6.14	4.12	4.25
Parking & Tolls	12.09	11.06	7.46
Miscellaneous	2.98	2.97	3.25
Total Incidental Expenses	$ 37.23	$ 36.95	$ 35.32
STANDING EXPENSES			
(dollar cost per car per month)			
Leasing Service Charge or Interest	$ 76.38	$ 72.05	$ 60.40
Depreciation Reserve	161.37	153.65	182.95
Depreciation Adjustment	-23.06	-12.38	-23.83
Selling Expenses	11.38	5.04	11.46
Insurance	23.94	20.96	19.03
Total Standing Expenses	$250.01	$239.32	$250.01
CREDITS			
(Dollar return per car per month)			
Personal Use Credit	$ 42.28	$ 47.70	$ 45.42
NET EXPENSES			
(Incidental expenses plus standing expenses less credits)	$244.96	$228.77	$239.91

NAFA's Recommended Classification of Automobile Expenses

OPERATING EXPENSES (expressed in cents cost per mile)

1. *Fuel.* Include additives, if allowed.
2. *Oil.* Include engine oil, oil additives, if allowed and oil changes. Do not include lubrication or filters.
3. *Tires.* Include purchase of replacement tires, snow and studded tires or cost of studding; deduct adjustments on returns. Include repairs, charges for rotation. Do not include balancing or alignment charges.
4. *Maintenance & Repair.* Include all mechanical and electrical repair, excluding repair of accidental damage. Include chassis lubrication, transmission and hydraulic fluids, filters, wheel balancing and alignment, brake adjustments and towing. Include all charges for regular maintenance and tune-ups. Maintenance & Repair is defined as "All actions taken to keep company vehicles operating at peak efficiency with minimum costs for parts and labor and minimum out-of-service time."

STANDING EXPENSES* (expressed in dollar cost per car per month)

Expenses incurred in automobile operation that have little or no direct relationship to the mileage a vehicle is driven. The items in this category sometimes are referred to as "Fixed Expenses" or "Non-Variable" expenses. They often are pre-determined and do not vary during the life of the vehicle. These expenses are best expressed in a dollar cost per car per month.

1. *Investment cost.* Include total capitalized cost of vehicle; deduct charges to employees for optional equipment.
    a. For leased fleets, use monthly rental payment.
    b. For company owned fleets, include interest on money used for purchases.
2. *Depreciation.* Include reserves established at pre-determined rate as well as adjustments after cars are disposed of. If insurance payments for work not performed are included in accident repairs, deduct from adjustments.
3. *Insurance.* Include all amounts actually paid to insurance premiums to provide coverage. Insurance is defined as "The protection purchased against claims of bodily injury or property damage (PD & PL) resulting from accidents; losses resulting from fire, theft, and vandalism. Premiums are usually based on previous experience and losses. Companies can 'self-insure' themselves against collision or medical losses by setting aside a periodic reserve for each car in operation."

INCIDENTAL EXPENSES (expressed in dollar cost per car per month)

Those expenses connected with automobile operation that do not occur on a regular basis, nor are they directly related to mileage or car use. The recommended procedure is to present these expenses in dollars per car per month.

1. *License & Taxes.* Include city and state licenses, Federal, state, and city taxes; personal property, sales, use, and rental taxes; registration and license fees; notary public fees; title and transfer fees; inspection fees; permits, and fees for duplicate titles.
2. *Accident Repairs.* Include all labor materials, towing and other expenses resulting from an accident. Deduct payments from insurance companies or others regardless of date of accident; include payments for work not performed.
3. *Washing* Include all company-paid expense for washing, waxing, and polishing.
4. *Parking & Tolls.* Include all highway, ferry, tunnel, and bridge tolls. Include use of outside parking lots, parking meters, garages, and garage allowances.
5. *Miscellaneous.* Include any items related to the operation of the car not covered elsewhere, such as anti-freeze, flares, seat covers, floor mats, and chains.

* *Administrative expenses, if available, should be included in* **Standing Expense** *category. They would include salaries of fleet department personnel, share of corporate overhead (rent, light, heat, telephone, pro-rate cost of accounting, legal, finance departments, and other services needed for fleet operation).*

NAFA's Operating Expense Survey

(Continued from page 9)

are equipped with four-cylinder engines; 56 percent with six-cylinder engines, and seven percent with eight-cylinder engines.

Every car in the mid-size group was equipped with air conditioning, automatic transmission, power steering, and power brakes.

Based on the standard gasoline prices of $1.26 per gallon, these cars averaged 20.5 miles per gallon, more than three miles per gallon less than the compact cars.

Large Cars

The large car segment of the 1984 operating expense survey averaged 18.7 miles per gallon. These cars were driven an average of 2,085 miles per month and kept in service for 26.6 months.

Total operating expenses for this group of vehicles came to .0935 cents a mile, a penny per mile more than mid-size cars and two cents a mile more than compact cars.

Ninety-nine percent of the large cars have eight-cylinder engines, and all are equipped with air conditioning, power steering, power brakes, and automatic transmissions.

Canadian Fleets

As in previous surveys, cars in Canada cost more to operate than in the United States. According to responses to the 1984 survey, operating expenses for Canadian cars amounted to .1077 cents a mile.

The Canadian fleet segment is made up of eight percent sub-compacts; 44 percent compacts; 39 percent mid-size cars, and nine percent large cars.

Fifty percent of the Canadian cars have four-cylinder engines; 28 percent have six-cylinder engines, and 22 percent have eight-cylinder engines.

Sixteen percent of the Canadian cars are air conditioned; 99.9 percent have automatic transmissions; 98.7 percent have power steering and power brakes.

The Canadian cars are kept in service an average of 30.7 months and driven an average of 2,427 miles per month. Total service life for these cars averages 74,509 miles.

A breakdown of the Canadian fleet's operating expenses shows fuel expenses to be .0816 cents per mile; oil, .0012 per mile; tires, .0044 per mile, and repair and maintenance, .0205 cents per mile. ■

Operating Expenses
Canada

	1983	1984
Average Miles per Month	1,780	2,427
Fuel	.0979	.0816
Oil	.0026	.0012
Tires & Tire Repair	.0080	.0044
Repairs & Maintenance	.0221	.0205
Total Expenses	.1306	.1077

COMPOSITE FLEET BREAKDOWN OF EXPENSES

Does Not Reflect Personal Use or Equipment Credits

Operating Expense Comparisons
1982 - 1984
Mid-Size Cars

	1982	1983	1984
Average Miles per Month	2,027	2,236	2,031
Fuel	.0748	.0616	.0614
Oil	.0014	.0016	.0018
Tires & Tire Repair	.0053	.0064	.0043
Repair & Maintenance	.0105	.0169	.0162
Total Operating Expenses	.0920	.0865	.0837
Average price per gallon of fuel	$1.36	$1.235	$1.26
Average miles per gallon	18.2	20.05	20.5

Compact Cars

	1982	1983	1984
Average Miles per Month	2,339	2,153	1,747
Fuel	.0627	.0517	.0528
Oil	.0015	.0017	.0014
Tires & Tire Repair	.0040	.0035	.0045
Repair & Maintenance	.0112	.0126	.0121
Total Operating Expenses	.0794	.0695	.0708
Average miles per gallon	21.8	24.1	23.8
Average price per gallon of fuel	$1.36	$1.235	$1.26